

Earth Corporation
Summary of Q&A Session at the Financial Results Briefing
for the third quarter of the Fiscal Year Ending December 2024

【About progress in structural reform】

Q : Why are you taking a step-by-step approach to the management integration? Why not integrate the three companies - Earth Corporation, BATHCLIN, and Hakugen Earth - from the start?

A : From the start, we considered integrating the three companies. On top of that, since BATHCLIN's main business is bath salts, if the bath salt business goes badly, it will have a big impact on the company's performance. On the other hand, Hakugen Earth also handles bath salts, but their main products are in the low-price range, so their focus is clear. In order to carry out reform, we decided that it was necessary to boost the overall bath salt business, including the high-end products, and so we decided to integrate BATHCLIN first. In the case of Hakugen Earth, they also handle products such as insect repellents for clothing, so we have decided to deliberately stagger the timing of the integration of the three companies, rather than integrating them all at once. Of course, we cannot say when the integration with Hakugen Earth will take place, but we will continue to consider it.

Q : Please tell us about the future direction of the air freshener category and your strategy for price revisions.

A : The Company is in third position in the market. As we are not in first or second position, we have been caught up in price competition. In addition, while other companies' products are upright diffusion type (suction-up type), our "Sukkiri!" has a different product structure, with the liquid falling from the top to the bottom, so it can be used without waste. If we can convey and have our customers understand the value of this product, we believe that even if we revise the price, our market share will not decline, so we have decided to take the plunge and implement a price revision. We are confident in the value of our product, and we will continue to provide it at a price that matches that value. If we can use the extra money generated by the price revision to fund further promotions, we think the Company will be able to fight its own way. If we don't get the results we expected despite all our efforts, I think we will have no choice but to withdraw.

Q : How much of an impact on PL will there be from the suspension of production at the Kakegawa Plant in the next fiscal year and beyond?

A : At present, actions in response to the closure are progressing more quickly than initially expected. As there are many things that have not yet been decided, we will refrain from providing details as of today.

【About 3Q Results and Full-Year Earnings Forecast】

Q : What is the reason for the strong performance of the MA-T® business?

A : In comparison to this term's plan, sales of the MA-T® business are progressing smoothly, and in addition, it looks like we will be able to exceed our initial plan. The results are coming through as the fields of disinfection and deodorisation that the Company is currently working on have grown. In addition, the MA-T system® can be used in a wide range of fields, and we have more than 100 companies participating in the Industrial Association, and we are exploring development in various fields. Among these, some things that lead to revenue are starting to appear now.

Q : Will the profits from the MA-T® business add 100-200 million yen to the overall profits for this fiscal year?

A : This has added around 100 million yen to operating profit.

Q : Please tell us your intentions and objectives for investing additional SG&A expenses in the future.

A : In line with the price revision of the air freshener (Sukkiri!), we will spend additional costs on TV commercials and other promotions to raise awareness of the product's value. In addition, we are also planning to conduct additional promotions for bath salts and mouthwash. As profits are higher than planned, we are expecting to spend a little more on brand development. At the same time, while we will not slow down our structural reform efforts, we will be spending a little more from Q4 as we approach our 100th anniversary in 2025.

Q : Please tell us the details of the year-on-year difference in operating profit for this term (2024) and next term (2025).

A : In 2023, the insecticides & repellents products market was very good, so we had drawn up a solid plan for 2024. However, in reality, the market grew even further in 2024, exceeding last year's figures. We believe that the market is changing due to the effects of global warming. Therefore, we believe that insecticides & repellents segment is a category that still has room to expand. Among the Insecticides & Repellents products that are selling well are not the traditional fly and mosquito repellents, but rather the preventative products such as cockroach and tick repellents that are driving the market. In addition, customers are also willing to pay higher prices for products that solve specific problems. Compared to the market of the past, the structure and situation of the market have changed, so we will consider our strategy for the next term based on these changes. Furthermore, the MA-T® business is gradually becoming a source of business. For these reasons, we think that we will be able to maintain a profit level equivalent to this term in the next term as well.

Q : Is the reason for the increase in performance due to the changing environment of the insecticides & repellents segment?

A : That is also the case. In addition, we have introduced new household products in the second half of the year. The mouthwash 'Damon' is a product aimed at young people, and we have received a positive response from the market. Also, we plan to relaunch 'Mondahmin' in the next fiscal year. With the strong performance of our insecticides & repellents segment, we will continue to promote household products segment and implement additional promotions in the second half of the year, as we work towards the next fiscal year.

Q : You explain that insecticides and repellents products are doing well due to the effects of global warming, but I have some doubts about the idea that this situation will continue every year. Given that the structure and environment of the market is changing, are you doing anything yourself to maintain and establish the current situation, such as changing the timing of price revisions and product development and launch?

A : It is difficult to predict the weather each year, and it is not always possible to get it right. We think that sales from June to August will not change significantly, but sales from October to March are continuing to grow at double-digit rates. We think that the reason for this is not just the weather, but also the changes in living environments. Until three or four years ago, we used to announce new products in January and start selling them in March, but since last year we have been announcing new products in November and working with our customers and other people in the industry to launch insecticides & repellents product sales areas ahead of schedule and carry out educational activities. If we continue with these kinds of initiatives, I think the market will not decline.

Thank you.